

Briefing Paper

2012/13 NSW Budget

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Introduction

NSWIC attended the Budget lock up held before the public release of documents. Treasurer Baird briefly attended the lock up, which was well received.

Treasury officials were available to answer general questions or to refer specific questions to Departmental officials via telephone.

Full Budget documentation is available at www.budget.nsw.gov.au

This Briefing

This document is a summary of the full Budget. It was prepared in the two hour timeframe available in the lock up and hence may contain errors.

This Briefing Note is in three sections – consideration of broad Budget measures, of matters relevant to agriculture and matters of specific interest to irrigated agriculture.

Broad Budget Measures

A deficit of \$337m is to be realised in 2011/12 on revenue of \$58b and expenses of \$58.7b. Expense growth in 2011/12 was a hefty 5.3%

Arresting expenses is a key theme of the Budget. Nevertheless, a deficit of \$824m is forecast for 2012/13 based on revenue growth of 2.2% and expenditure growth of 3%. Recovery to a small surplus of \$289m in 2013/14 is predicated on a robust (and brave) prediction of revenue growth at 4.9% whilst maintaining expenses growth at 3%. Note that strong growth forecasts were used in the Federal Budget to predict forward surpluses also.

Stimulus for housing is a key plank of the Budget with \$561m to be provided. The First Home Owners Grant will be increased to \$15k with a "New Home Grant" of \$5k to be available for non-first home owners. An upper threshold of \$650k (the Sydney median house price) will be applied to both and stamp duty concessions will be available up to this level.

A brochure issued with the Budget titled "Building the State" shows a map that extends to Hastings in the north, Wollongong in the south and Penrith in the west.

Primary themes to be pushed by the Treasurer include a "collapse" in revenue (based primarily on GST receipts), a drive to reduce expenses (measures to cut public service expenses to the equivalent of 10,000 FTE on the back of 5,000 FTE last year) and a focus on retaining a AAA credit rating.

Matters Relevant to Agriculture

Minister Hodgkinson's media release spruikes a "\$1.1b Bumper Budget for Primary Industries.

Some \$96m has been provided to the SES for a 5 year Strategic Disaster Readiness Package which, given recent events in irrigation areas, will be welcomed by many of our stakeholders.

Headline material spruiks a \$100m allocation for Catchment Management Authorities, which includes \$35m from the Federal Caring for our Country program. At a detail level, however, this allocation is down from the \$101.7m provided. Individual CMA statements are provided in Budget Paper 3 (from 8-29).

The threshold at which Payroll Tax is assessed rises to \$689k

Significant spending on roads will be a headline from the Government, but it is heavily weighted toward highways with little provided for regional transport links.

The Rural Assistance Authority sees a reduction in expenditure from \$79m in 2011/12 to only \$16.4m in 2012/13. This is based primarily on the end of drought assistance and hence should not be a significant concern.

The Office of Environment and heritage suffers a significant reduction, down \$55m in recurrent expenditure and \$22m in capital expenditure. Some \$1.5m has been provided in capital funding for visitor facilities in the Murray-Darling region.

A \$44m Regional Industries Investment Fund has been provided, although details are scant.

Water and Irrigation Specific Matters

Change to reporting on NOW FTEs

A significant change to reporting practice has occurred with respect to the NSW Office of Water. Employee numbers are **no longer reported** individually. We were advised in the lock up that this was due to NOW being located within the broader Department. We noted that no change to Departmental structure has occurred since last year's Budget when FTEs (employee numbers) were reported individually. We were subsequently advised that they are not this year.

In light of charges to Water Access License holders in respect of NOW being based in significant part on employee expenses and FTEs being set by IPART, this lack of reporting in the Budget should be considered negatively. In the absence of a full IPART review, it is now not possible to determine from the Budget on an annual basis if NOW is meeting the IPART determined FTE level. Given internal restructures to remove staff to broader "corporate services" roles, NSWIC Members should be concerned at this removal of transparency.

Performance Measures

Reporting against performance measures is also less than last year. License conversion percentages are not reported against, nor are free flowing bore numbers. Water Sharing Agreement percentages (percentage of areas covered by WSPs) is still reported. The forecast last year for 2011/12 was 86. 77 was achieved. 90 is forecast for 2012/13.

Specific Projects

\$9.8m is provided as the "State's share of operating costs and works programs for irrigation areas to improve agricultural productivity".

\$21m is provided for a water supply pipeline from the Macquarie River to Orange.

State Water

SWC is deemed a Private Trading Entity (PTE) by the Treasury. It is nevertheless subject to the same 2.5% wages cap imposed across Government Departments last year and continuing into forward estimates. NSWIC will make submissions in this respect when IPART/ACCC move to a new pricing Determination.

Much of the reporting of PTEs rolls Sydney Water, Hunter Water, Sydney Catchment Authority and SWC together. It is therefore difficult to determine individual expense and revenue issues. Dividends across the aggregate are down, although commentary states that this is due to an IPART Determination on Sydney Water.

Water Administration Ministerial Corporation

Budgeted expense in 2011/12 was \$43.9m. This was revised up to \$48.4m. The estimate for 2012/13 is an increase to \$51.3m.

This contrasts with Budgeted revenue in 2011/12 of \$40.6m that was revised up to \$45.1m. The estimate for 2012/13 is \$46.3m. Whilst revenue is therefore expected to escalate, it remains below expense seeing WAMC continuing to operate a deficit.

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